

NIE-32

Text-IAC Reps.
21 June 1951

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12. Foreign trade with the West was at high levels in 1950. We estimate that during the first quarter of 1951 this trade at least remained at the 1950 levels, primarily because of the sharp increase in imports chiefly of strategic materials from Hong Kong. Data on ^W western flag shipping with Hong Kong and Chinese Communist ports since 1 April indicate that such shipping has fallen off significantly and we believe that the volume of trade has correspondingly declined. Smuggling and trade from non-cooperating non-Communist nations will probably increase and ^{will} ~~may~~ off-set to some extent the effect of these restrictions. ^(Since the understandings) ILLEGIB

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Paragraph 17 as revised at the IAC representatives meeting of 20 June.

17. The Korean war has increased Peiping's present economic dependence on the USSR from two points of view. In the first place, we believe that ^{industrial} the Chinese Communists do not have the resources to meet their requirements over an extended period for even the type of military equipment now being used by them in Korea. It is unlikely that ~~they alone will be able to overcome this deficiency for a number of years.~~ In the second place, the increased East-West tension that followed the outbreak of hostilities in Korea is resulting in more ^{Stringent} effective Western trade restrictions. There is no information available to indicate that shipments from the USSR to the Chinese Communists have been made on a gratuitous basis.

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